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Plant Closings: What Can Be Learned from Best Practice

U.S. Department of Labor
Labor-Management Services Administration

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Along the journey to the finished report a number of individuals have been very helpful to us. We would like to thank colleagues at MIT, especially Tom Kochan, and colleagues at Cornell University, especially Bob Aronson, for their guidance. For editorial help, Molly Unsworth and Johanna Maeland as well as Michelle Killeen, Ruth Fuquen and Carolanne Foilb for typing the manuscript.

The division of labor in the preparation of the report is not hard to understand for a father and son team. At the time of the conference, Bill, a senior at Tufts University, was writing a paper on economic dislocation. He prepared the six case studies from materials submitted by the presentors and from notes taken at the conference. Robert, his old man, sat back and wrote the overview.

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BACKGROUND

The U. S. Department of Labor sponsored a two-day conference on plant closings in Washington, D.C. on January 15 and 16, 1981. The primary purpose of the conference was to draw together a number of key individuals who had been involved in plant closings to discuss their experiences and to distill from those experiences some reference points that would be useful in dealing with economic dislocation in the years to come. This body of knowledge would then be passed on to new officials of the incoming Reagan Administration (several members of the new Department of Labor team participated in the proceedings).

It has become clear during the almost two years since the conference that the pace and extent of plant closings has continued undiminished. Certainly, everyone at the conference recognized that plant closings and the changes in the location and nature of employment associated with them would continue unabated in the foreseeable future. But none of the participants expected to see the subject roll on with such intensity. Realizing that the process of economic restructuring may go on indefinitely, the decision has been made to give wider distribution to the conference findings and report.

It is important to say that, unlike most meetings convened in Washington, there was little emphasis on policy or prescription. Those who organized the conference felt that a significant contribution could be made to the economy of the country simply by sharing experiences and practices related to the challenging subject of plant shutdowns.

It is revealing to recall the mood of the conference. It had a perspective on the appropriate roles for the private sector and public policy which is still valid today. Several themes stand out. Although just a few years before the conference considerable attention had been given to preventing job loss by government assistance (for example, the Chrysler loan guarantee), it was clear that this response was no longer in the offing. Action to stop economic change, such as marches on the headquarters of companies closing plants, also was passing from the scene. People around the country had come to accept the inevitability (and, depending upon one's point of view, the desirability) of economic change. Thus, the country appeared to be entering an era when changes would be taking place without the equilibrating influence of government or the intervention of local community groups. Inevitably, responsibility for cushioning the impact of worker displacement would be focused much more directly on the employers initiating the change.

But while employers have a key role to play in ameliorating the worst consequences of plant closings, other groups are in a position to make important contributions. In selecting the six situations for study at the conference, the organizers paid special attention to one important dimension: the presence of a union and the role of labor-management cooperation in grappling with the tough problems posed by plant shutdowns. Throughout the case studies the reader will note the presence of unions and the contribution made by collective bargaining to establishing principles and programs for the transition.

OVERVIEW OF THE CONFERENCE

The conference focused on six case studies: the Brown & Williamson Tobacco Corporation's cigarette plant in Louisville, Kentucky; the Dana Corporation's automotive parts plant in Edgerton, Wisconsin; the Empire-Detroit Steel Division's plant in Portsmouth, Ohio; the Ford Motor Company's assembly plant in Oakville, Ontario, Canada; the International Silver Corporation's flatware plant in Meriden, Connecticut; and the Goodyear Tire & Rubber Company's Lee Tire plant in Conshohocken, Pennsylvania. In line with the emphasis on private employer initiatives, each case study shows a company and union grappling with potential or actual job loss. The first part of this overview will distill out of these experiences some of the model practices and guidelines that other employers might follow in dealing with plant shutdowns.

While the individual employer plays a key role, no program for dealing with the displacement and readjustment experience can be successful without the participation of a variety of other institutions, especially key agencies of the labor market. Consequently, the second part of the overview deals with the role and activities of community groups, the employment service and other facilitating agencies.

Since unions were actively involved in all six case studies, the third section of the overview examines the role labor-management relations plays in efforts to deal with economic dislocation.

The overview concludes with a brief summary of what was learned from the conference and the case studies and a look at what the future might hold for efforts to deal with worker displacement.

Private Sector Initiatives

Efforts to Avoid Job Loss

The best way to deal with potential job loss is to prevent it if this can be done on some sensible basis. Therefore, the conference did not consider bail-out programs that only forestall the inevitable; rather, the emphasis was on practical efforts by corporations to create a turnaround by making fundamental changes. The best example of this comes from the experience of International Silver in Meriden, Connecticut. Rather than closing the operation completely, the managers asked themselves: "Given the valuable resources represented by the 300 workers with metal-working skills and given the relationship that we have to the community, is there some other line of work that we could enter that would enable us to continue operations in this area?"

After extensive investigation, the company developed two new product areas: production of stainless steel tubing for aircraft engines (a number of important aircraft companies are located nearby in Connecticut) and the refurbishing of machine tools for other nearby companies. The several hundred workers involved required extensive retraining and many of them were in their forties and fifties--an age often assumed to be "beyond redemption" when it comes to embarking upon new careers. But the company, which felt a commitment to the community and considered the work force an asset to be preserved, was able to prevent what would otherwise have been the loss of several hundred jobs.

Despite its success, the response taken by International Silver is not feasible in most situations, either because new business ventures are not available or management of the enterprise about to be closed does not have the skills to enter into

a new line of work. Thus, the International Silver solution will occur only in rare instances.

A response that seems suitable for a broader range of firms is phasing out operations on a gradual basis so few if any individuals are actually terminated. Under this attrition strategy, jobs are eliminated only as people depart, either through natural attrition or accelerated attrition such as early retirement. This emphasis is at the heart of the approach taken in many European countries and in Japan where economic change is implemented on a very gradual basis and few if any workers lose their jobs.

The case study that comes closest to an operational phase out is the experience of Brown & Williamson in closing its Louisville tobacco plant. The plant is being phased out over a three-year period that began after a notice period of eighteen months. During this long interval, the company is using a variety of devices to encourage people to leave "voluntarily." It is too early to tell (the program is still in the midstages of implementation) just how many people eventually will be forced out, but early indications are that about half of the work force of 3,000 will be accommodated, either by transfer to the Macon, Georgia facility, by early retirement, or by voluntary movement to other employment in Louisville. This last alternative has been facilitated by retraining programs run either by the company or in conjunction with the local vocational education system.

It should be noted that in most of the situations discussed at the conference, the work force had been declining for a sustained period of time before the closedown announcement. Management may not have made a conscious decision in all these instances to adopt a staged phase out, but in effect it worked out that way.

Another avenue for reducing or avoiding

involuntary termination is productivity bargaining. While none of the six case studies produced evidence of the management and the union getting together to change work rules or other arrangements that would lower costs, this approach has been used with increasing frequency. The delegation from Canada estimated that in about 20 percent of the situations where plant-level labor-management committees were established, the parties ended up focusing on improving operations to prevent job loss.

In the Fall of 1982, as this report is being revised or publication, it would appear there has been a marked increase in productivity bargaining or, as it is more popularly known today, concessionary bargaining. Various estimates indicate that approximately 40 percent of all concession agreements involve important changes in work rules and other arrangements for improving productivity. Although not all of the situations where concessionary bargaining has taken place have involved a plant shutdown, it is clear that in many instances management has approached the union and, in effect, said: "We need these changes; otherwise we will have to close the plant." Productivity bargaining has been a way of avoiding plant shutdown and extensive job loss in a number of very important instances in the steel, auto, rubber and other manufacturing sectors.

In this regard, one missed opportunity came to light in the study of the Lee Tire operation in Conshohocken. In the mid-1970's, the company approached the United Rubber Workers local that represented plant workers to explore the possibility of starting negotiations for a new plant that was being planned for the same area. The new plant would manufacture radial tires since this side of the business was growing while conventional tires were on the decline. In its proposal, the company asked for a different mode of operations for the new plant: continuous shifts, measured day work, and a

separate seniority unit--the latter to prevent bumping between the old and new plants. The union leadership rejected the proposal, however, and the parent company, Goodyear, expanded radial operations elsewhere, especially at Gadsden, Alabama where a new plant was constructed adjacent to a conventional tire plant.

Programs to Cushion the Impact

In most situations the prospect of a plant shutdown cannot be finessed. Plant closings have to be confronted directly and the primary purpose of this conference was to present the experience of a number of companies where steps were taken to cushion the impact of the change. Following is a discussion of the best practices found in the case studies.

Consultation Regarding the Decision - Because it involves "decision bargaining," consultation over a plant shutdown is controversial. The Supreme Court, in the 1981 Broadway Maintenance Corporation decision, held that the company was not required to bring entrepreneurial decisions within the orbit of collective bargaining. The issue, however, remains pertinent and regardless of particular court decisions a number of companies have felt it imperative to give reasons and to provide the respective unions a chance to raise questions about the basis for the decisions. This stance was adopted by Brown & Williamson and Dana.

In the Dana case, the company felt that the presence of a Scanlon Plan, which had made the workers more knowledgeable about the economics of the business, made it easier for the workers to understand the reasons for shutting down the Edgerton plant. Everyone realized the bottom had fallen out of the front-axle business for recreational vehicles and management was forced to curtail its production capacity drastically. Similarly, Brown & Williamson explained to the

unions and to the rank and file that it had established a large new facility in Macon, Georgia, only to experience a subsequent decline in demand for its products. With large facilities in Georgia, Kentucky, and Virginia, the company had excess capacity and decided to close its Louisville plant.

Rather than challenge these management decisions or probe for additional information, the unions involved expressed a desire to get on with bargaining over the impact of the shutdowns. The experience in these two cases suggests that consultation over reasons does not necessarily create difficulties, and that unions faced with plant shutdowns are interested primarily in bargaining over such bread-and-butter issues as severance pay, retraining and other devices for facilitating the readjustment of the rank and file.

Advance Notice - All of the companies in the six case studies gave substantial advance notice. The median time appeared to be six months, although Brown & Williamson gave eighteen months and two other companies only gave three months.

At the time of the conference (January 1981), these six case studies represented a very special group with respect to the practice of giving advance notice of plant closures. Statistics had shown that only about 10 percent of collective bargaining agreements required any advance notice, and the time requirement usually was several weeks or a month at the most. But developments during the last two years suggest that these six situations may have been harbingers of the future. In just about every major negotiation in 1982 the subject of advance notice for plant shutdown or large employment curtailments has been on the bargaining agenda. A period of between three and six months is developing as the usual time period. Companies in a variety of industries including automobiles, meatpacking, oil and electrical equipment have agreed to advance

notice procedures in their collective bargaining agreements.

An important theme that emerged during the conference was the need to make constructive use of lead time provided by advance notice. As a number of participants noted, advance notice can cause morale to deteriorate if the time is not used to implement concrete programs such as retraining. Whenever possible, of course, it is best to move workers who are about to be displaced to other jobs before they go through the experience of unemployment.

In some instances, such as several shutdowns in the rubber industry, companies required by contract to give six months advance notice decided to close early and pay the workers for the full notice period rather than continue operating.

Counseling and Motivation Sessions - All of the case studies placed heavy emphasis on getting the displaced workers active in the readjustment process. It is not easy for people who have spent their entire working lives at one plant--which tends to be the pattern for people affected by plant shutdowns--to develop the self-confidence necessary for finding another job. They lack experience in how to present themselves, how to prepare a resume, and how to stay motivated in the face of repeated failure to find work. Counseling sessions serve a number of distinct purposes. They can be used to impart specific knowledge and skills about the job search process. And they often serve as devices to screen potential candidates for retraining, and possibly relocation, for new employment. The sessions also help workers through the process of reattachment to a new job and location, an especially difficult time for a person who has worked in one industry and in one town for his or her entire career. For example, it was natural for workers displaced from Empire-Detroit to think of

themselves as steel workers, yet the steel industry had been declining, especially in Southern Ohio. Such workers need to stop thinking of themselves as steel workers and begin seeing themselves as individuals with transferable skills that can be used in other situations.

Although the conference was more interested in the role counseling sessions play and the context within which they occur than in their operating details, the case studies did reveal a rich variety of ideas and formats. Some of the programs were run by outside professionals; others, as in the case of Portsmouth, Ohio, were run by a local group emerging from a labor-management committee. In the Dana case, many of the counselors were instructors with special training from Dana University.

Retraining - The unusual undertaking by International Silver to retrain workers from producing flatware to producing stainless steel tubing and refurbishing manufacturing assembly equipment was discussed earlier. The Brown & Williamson case also involved extensive employee retraining; the most ambitious programs were sponsored by the local vocational education service. Brown & Williamson found that, with enough lead time and with proper screening, training programs can serve as bridges to good jobs in the local labor market. For example, maintenance craftsmen whose experience was limited to adjusting and repairing cigarette machines needed to broaden their skills to qualify for general maintenance jobs. The company, in collaboration with local employment agencies, sponsored the necessary training programs.

Unfortunately, in many situations funds are not available to support the necessary training. The Comprehensive Employment and Training Act (CETA) has a title (II-C) that would apply to workers affected by plant shutdowns, but it has not been used

extensively because it has not been well funded. Most workers affected by plant shutdowns do not meet the poverty or income guidelines involved in the other titles of the CETA program. For workers who qualify for help under the Trade Adjustment Assistance Act (TAA), little money has been available for retraining until recently. Early in 1982 the Department of Labor allocated $23 million of TAA funds for training, job search and relocation services. Generally, training expenses have been borne either by the company itself (as in the case of International Silver) or by local and state agencies (as in the case of Brown & Williamson).

Transfer to Another Geographic Area - Very few blue collar workers will move their residence unless there is some guarantee of employment. Most commentators cite a maximum of 10 percent as a guideline. This upper limit would apply where transfer is within the same company, as in the case of Brown & Williamson offering to transfer workers from Louisville to its facility in Macon, Georgia. It also would apply to Dana where displaced workers have been given priority over new hires both as a matter of company policy and by terms of an agreement negotiated with the UAW to facilitate transfer across Dana plants.

If displaced workers are offered an opportunity to visit another area simply to look for a job, substantially fewer than 10 percent would likely be interested. This was the case with displaced Empire-Detroit workers who were offered a "familiarity trip" to Texas, where the steel industry had some openings.

These findings indicate that transfer to another geographic area is not a viable option for very many displaced workers.

Running Interference - As the pendulum swings from public programs to private sector efforts to

help displaced workers, it is natural to focus attention on the employer of "last repose." Given the career nature of employment in most of the situations under consideration, the discharging employer knows considerably more about the experience, skills and special characteristics of the individuals involved than any other institution in the labor market. This is why employers in most European countries are held accountable for returning workers to the labor market in a state of readiness. A wide variety of measures both encourage and require European employers to engage in retraining and re-orientation programs so that workers can be released in a state of readiness.

Some of the steps employers can take to help displaced workers involve elements already discussed, such as counseling sessions and retraining programs. Other steps involve "running interference" with other employers in the local labor market. A job fair sponsored by Goodyear brought workers about to be terminated from Lee Tire together with 35 potential new employers. At the Ford plant in Ontario this job brokering function is being carried out by the local labor-management committee, which contacts other employers and serves as an advocate for workers affected by the plant shutdown.

The running of interference by the employer or a third party is extremely important because workers affected by a plant shutdown often carry a stigma. For example, the Dana workers in Edgerton were viewed as "high rollers and union prone." Given the atmosphere of a rural community, other area employers hesitated to hire them for fear that they would be dissatisfied with the lower wage scales and also might bring the union with them.

Compensation - All of the preceding steps can be viewed as positive in the sense that they help with the transition to new employment. The function of

compensation is to provide financial support during the transition period. Designing an adequate and fair package of compensation benefits is not easy.

The first requirement, and one that all conferees agreed is absolutely essential, is to assure continuation of health insurance benefits. Most of the six companies provided extended benefits for six months, with Lee Tire extending coverage for two years. Studies have shown that a break in their health insurance protection is the biggest concern of workers who lose their jobs. Indeed, in some cases this concern causes them to take the first job that comes along in order to continue their health insurance. Unfortunately, neither the unemployment insurance nor the trade adjustment assistance programs provide health insurance coverage. In European countries, where health insurance is provided by government programs, there is no burden on the employer to tide the worker over.

Turning to the compensation package, its primary objective is to protect the displaced worker's income. Unemployment insurance provides a floor for this objective. At the time of the conference, unemployment compensation in most states paid the worker between one-third and one-half of his or her prelayoff wages, usually for a maximum of 26 weeks. Workers who lost their jobs because of competition from foreign imports also were eligible for trade adjustment assistance benefits. These workers could receive up to 70 percent of their former wages for as long as 78 weeks. Of the six case studies, the Lee Tire workers were covered by trade adjustment assistance and thus were relatively well off as far as income was concerned during this period.

Since the conference, the trade adjustment assistance program has been changed. Under the revised program, the amount of weekly payments is limited to the level of unemployment compensation but the period of eligibility for trade adjustment

benefits remains a maximum of 52 weeks, with an additional 26 weeks for those enrolled in training programs. The continuation of benefits for up to 78 weeks recognizes that employees displaced because of foreign competition are likely to remain jobless longer than other unemployed workers. But by limiting payments to the level of unemployment compensation, a good deal of the previous disparity in treatment between those who lose their jobs due to foreign competition and those thrown out of work for other reasons has been removed.

As noted, under the former trade adjustment benefits programs workers could receive approximately 70 percent of their prelayoff earnings. This weakened the incentive to look for another job and distorted other decisions as well. For example, in the Empire-Detroit shutdown workers did not accept an attractive early retirement program because it would have made them ineligible for trade adjustment benefits, if such benefits became available. Another difficulty that characterized trade adjustment benefits was the slow pace of processing certifications. In many cases workers have been paid retroactively for the period of unemployment. These retroactive payments did not serve the function of income maintenance but resembled more of a windfall.

Despite improvements, important shortcomings still exist in the trade adjustment assistance program. A worker may collect up to 52 weeks of benefits without making any commitment to relocate or to enter a training program. Only the 26 weeks of supplemental benefits is conditioned on the worker's willingness to take training and to relocate, if necessary, to find employment. Stronger coupling of benefit eligibility with relocation and retraining efforts would enhance the prospects of displaced workers finding employment.

Another system of income support--one that is

privately financed--is called supplemental unemployment benefits (SUB). It is designed to complement unemployment insurance and to bring the income of laid-off workers to approximately 90 percent of their pre-layoff earnings. These benefits usually are intended to assist workers who are laid off subject to recall. Because the plant shutdowns in the six case studies occurred after periods of extensive layoffs, the displaced workers received little if any supplemental unemployment benefits. An exception was Empire-Detroit Steel which had special reserves available to pay benefits to workers with more than 20 years of service. Workers in this category received benefits almost equal to their earnings while employed.

Lump sum serverance pay is one program which does recognize the permanent nature of certain layoffs. The rationale for severance pay is that it represents partial compensation for the loss of the human capital that the worker has invested in the job he or she is losing. Because severance, unlike most other forms of income compensation, usually is paid in a lump sum, it has little tendency to reduce the worker's incentive to find another job. Receipt of a relatively large lump-sum payment also enables the worker to use the money to pay off major debts such as a mortgage or to open a business.

The problem with severance pay among the companies in the case studies was that in a number of instances they did not have funds to make the required payments. Layoff and severance benefits often are paid from the same funds. Firms that decide to shut down after experiencing extended layoffs may not have sufficient money left in the fund to make severance payments. This was the case with Dana. The experience of Dana and other firms indicates that funds established primarily to pay benefits during model changeovers and short periods of unemployment associated with cyclical performance of the economy are not sufficient to deal with structural change and major plant shutdowns.

One of the companies in the case studies, Lee Tire, adopted an approach to income maintenance that is worthy of special note. The Lee plan, called "plussing up," encourage displaced workers to take new employment and at the same time makes them whole as to their prelayoff earnings. Under this arrangement, a displaced worker who takes a lower paying job during the first year after the plant closing has the difference in salary made up from a fund at Lee Tire.

Labor Market Programs

Readjustment of displaced workers is fundamentally a labor market operation. Before considering specific programs and the roles of different agencies such as community groups and the employment service, it is helpful to establish a profile of displaced workers and to examine some fundamentals of labor supply and demand.

Workers displaced by a plant shutdown possess different characteristics than other job seekers. They tend to be older, to have pursued one-industry careers, and to have more specialized skills. Consequently, job losers present special challenges, and programs must be tailored to their special needs.

Age is an important consideration in determining the problems and needs of displaced workers. Younger displaced workers, those under 40, can find other employment more readily and are good candidates for retraining programs. Older workers, those 55 and above, often can be accommodated through early retirement and other phase-out arrangements. In between is the group "at risk," those "too old to learn new skills but too young to retire." The success of labor market adjustment activities hinges on the ability of agencies and their programs to meet the challenge of this middle-age group.

On the demand side of the labor market, the major reality in the face of plant shutdown is the shrinkage of jobs by an amount greater than those initially identified. Research on the "spill-over" effects when manufacturing jobs are eliminated shows that for every job lost in the primary sector another two or three jobs are lost in the supplier and small business sectors. This is economic development in reverse.

Another reality is that as economic development programs bring new jobs into a community, displaced workers may find themselves at the end of the line for these new jobs. But this is not necessarily a fatal characteristic. Even if the new jobs are filled by younger workers and new entrants to the work force, other jobs may be freed up for those displaced by plant shutdowns. These dynamics of a local labor market (and the relationship between the loss of employment and the steps required to find jobs for displaced workers) underscore the importance of the role of community-level organizations, especially the employment service.

Functions

The two main labor market functions in the reemployment process are targeting jobs and referring and preparing displaced workers to fill them.

Targeting Jobs - Established agencies have job referral information on only a small proportion of the total openings in most labor markets. For example, the employment service typically might list 10 to 15 percent of the jobs that are open at any point in time in the local labor market. Networks must be developed to tap into the "hidden" job market. In this connection, the point made earlier about the displaced worker's last employer running interference bears mentioning again. This function

is performed for displaced Ford assembly plant workers in Ontario by a labor-management committee set up under a government-sponsored program. Hundreds of such committees have been set up in Canada with the government's help. The committee contacts other employers in the community to identify and promote potential openings for displaced workers.

Referral of Displaced Workers --Counseling can be a crucial element in the referral process. The natural letdown and inertia that often develops after job loss can be exacerbated by the dead ends and refusals a displaced worker frequently encounters in seeking a new job. Counseling seeks to build the confidence and motivation the worker needs to get on with the task of exploring openings in the labor market. The job club has proved useful as a counseling technique. Under this approach, individuals are brought together for "rap sessions" that foster a sense of identity with others who are facing similar problems and with counselors who can help them develop confidence to continue looking for work in the local labor market.

Role of Agencies

Community Agencies - The U. S. tradition of grass roots, self-help response to a crisis was very much in evidence in a number of our case studies. The program developed in Portsmouth, Ohio after the Empire-Detroit closedown represented a very imaginative coalition of local union, local company and local community resources. Similarly, in Ontario the plant-level committee combines local union and management personnel and resources with resources and technical assistance from the provincial government.

These indigenous groups perform a crucial role. They help maintain community pride and are evidence that everything possible is being done. They may

last only a year or two, but once the worst aspects of the crisis have passed agencies such as the employment service and welfare organizations can carry out the labor market functions.

The Employment Service - A number of participants at the conference noted that the potentially important role of the employment service has not been properly recognized in the typical plant shutdown situation. A Wisconsin Employment Service representative underscored the tremendous workload created by the Dana shutdown at Edgerton. Some employment services have been able to dispatch additional professionals to help with the surge of activity that follows a shutdown. In other instances, special training programs have been designed. One participant reported that the Connecticut Department of Employment develops training programs with State funds when no federal money is available.

Unfortunately, however, most State employment agencies do not have the funds to make special efforts to handle the demands imposed by a shutdown involving 1,000 or more workers. As a result, the displaced workers often find themselves combined with other groups regularly served by State employment offices

Clearly, the employment service needs to develop tailored and adequate responses to large-scale work force displacements. California has taken steps in this direction. As part of a comprehensive approach to economic dislocation, the California Employment Development Department has established a Plant Closure Response Unit. The unit tries to mobilize community resources and agencies and helps the company and union establish a center to provide counseling and information on financial matters, placement and retraining. The unit was established in 1981 and by mid-1982 had worked closely with 12 plant shutdowns.

The Role of Labor-Management Cooperation

The role of the union was important in each of the six shutdowns studied. In some cases the union role was limited largely to negotiating transition arrangements for displaced workers. In others, however, the union became an important party in the readjustment process itself. Perhaps the best example of this active role in the readjustment process comes from Canada where under the program of the Manpower Consultative Service the union becomes a formal partner with local management in the establishment of an employment committee. Half of the funds for this program come from outside, usually from the provincial government, with the other half coming from the employer.

While some labor-management committees have helped to plan and implement readjustment programs for displaced workers, it would appear that this resource has not been tapped sufficiently. The union, after all, knows as much or more about the needs and capabilities of the workers as any other agency. Certainly, if the union is involved, the program will have more acceptability and credibility with the workers being served.

A program sponsored by the Illinois AFL-CIO illustrates what can be done when the talents of the union are mobilized. Under a Comprehensive Employment and Training Act (CETA) grant, the union has for the past two years sponsored workshops for employees displaced by plant shutdowns. In addition to the workshops, the program provides information on the sources of training and funding for other readjustment efforts.

In many cases, unions would like to be involved but do not have the resources to assist displaced workers, especially where dues income has been terminated and where there are no long-run collective bargaining opportunities. This is why

the Canadian government's support for employment committees is such an attractive idea.

Patterns of Success and Emerging Principles

The conference did not generate the type of data that would make possible a definitive evaluation of the various case studies. There is sufficient evidence, however, to permit some general conclusions and observations.

First, it is much easier to handle a displacement program in a large, diversified urban market such as the Toronto-Hamilton belt of Canada or the greater Philadelphia area than in rural areas such as Portsmouth, Ohio or Edgerton, Wisconsin. Also, it is much more difficult to find jobs for displaced workers whose experience has been confined to one industry, as is often the case with steel workers or rubber workers. International Silver workers were an exception because their metal working skills enabled them to shift from making flatware to machining other products.

Success also depends upon the general state of the labor market. The fact that 80-85 percent of the displaced workers from Ford's Ontario plant were placed in jobs is due partly to the Manpower Adjustment Committee's program but more importantly to the general availability of jobs in the area. Because jobs were not available in Edgerton, Wisconsin, only 35 percent of the blue collar workers displaced at Dana had found other employment six months after the closing.

Readjustment Principles - In summary, the following are some of the points and principles that emerge from these case studies:

- Displaced workers as a group have special needs and should be handled separately from others who are unemployed.

- Displaced workers aged 40 to 55 present the greatest challenge, and readjustment programs should be tailored with this group in mind.
- The discharging employer has a special responsibility to sponsor programs to prepare displaced workers to move out into the labor market.
- The more steps that are taken and the more linkages that are established to available employment in the labor market before the workers lose their jobs the better the readjustment experience.
- Job openings must be identified before retraining programs are initiated to make sure that employment opportunities await those who complete the training.
- While retraining is not as effective a strategy as presumed, the experience of a number of programs indicates that with the right conditions it is a valuable response.
- Many more jobs are present in the labor market than those that are visible through the formal channels of the employment service.

The Emerging Perspective - The United States appears to be in a period of reckoning and rethinking concerning economic change and worker protection. What seems to be emerging from this is a synthesis between the activist and the free market view of job loss. The activist perspective emphasizes the trauma caused by loss of a job and disruption of a work career. Some of the case studies underscore this fact of life. Many remedial programs are designed to deal with this problem and community efforts and legislature proposals often reflect a conviction that displaced workers need and deserve special assistance.

The free market view holds that people are resilient--indeed, that generations of Americans have experienced an economic and cultural transition. Thus, rather than temporizing or

postponing the inevitable, the emphasis should be on the need to get on with the process of change. Also involved in this view is the premise that people can help themselves, and that self-help is preferable to a series of government programs of limited usefulness.

A blending of these two perspectives and a balancing of programs and ideas is likely to occur in the years ahead, resulting in a composite strategy for handling plant shutdowns and other forms of economic change. Unions will recognize the inevitability of a particular plant closedown in some cases and will urge that the readjustment process start quickly. In other situations, it may be possible to save the operation through productivity bargaining or other cooperative approaches. Some displaced workers will be able to get jobs and cope with the stresses of readjustment on their own. Others will find the trauma so great and local know-how and experience so lacking that outside resources and talents will be required. The purpose of this overview has been to outline the range of ideas that form best practice in dealing with worker displacement and to leave it to the parties involved to select the approaches that suit their particular situation.

BROWN & WILLIAMSON CASE STUDY

On January 18, 1979, Brown & Williamson Tobacco Corporation, the nation's third largest cigarette manufacturer, announced the phasing out of its Louisville, Kentucky plant and cutbacks of one-third at its Petersburg, Virginia plant. Both facilities had been mainstays of Brown & Williamson's production and had been in operation for over 40 years. The Petersburg cutbacks had important consequences, but, because they did not involve a complete shutdown of operations, this study will refer to them only in specific relation to the Louisville plant. Prior to phaseout, the Louisville plant employed a work force of 3,000 employees with a mean age of 42 and a service mean of 15 years. Most of the hourly employees were represented by Local 185 of the Bakery, Confectionery & Tobacco Workers Union. Machinists were represented by the International Association of Machinists. They were in the midrange of the Louisville wage scale, with production workers making $7.36 and journeymen $10.30 an hour. At the time of the phaseout, unemployment in Louisville was approximately 6 percent.

Why the Louisville Plant Was Closed

In the 1960's Brown & Williamson was growing at a rate two times that of the national average, and all indicators pointed towards continued growth into the 1970's. As a result, the Louisville and Petersburg plants were expanded to full capacity, and, in the early 1970's, a new plant was built in Macon, Georgia. However, in 1973 Brown & Williamson's rate of growth started to decline, and by 1975 its market share was decreasing at an accelerating rate. Because construction at the Macon plant was too far advanced to stop, it was continued with the hope of turning declining sales around. The new plant began operation in January 1977. By 1978 the company's sales position had not improved. Brown & Williamson realized that it had overexpanded and had to focus on the new, highly productive Macon plant as its primary manufacturing facility, phasing out the

Louisville plant and partially closing the Petersburg plant.

Planning for the Shutdown

Before starting the shutdown of the Louisville plant, Brown & Williamson consulted extensively with experts in law, manufacturing, finance, corporate affairs, personnel, and labor relations in its attempt to minimize the negative aspects of the displacement process. Combining this expert advice with its own objectives, Brown & Williamson shaped the final closure plans. These were guided by three basic principles: advance notification, joint involvement between labor and management in the shutdown process, and gradual reduction of the work force.

Advance notification had been first negotiated for by the union in 1971. The 1971 contract required that employees be promptly notified of plans to close the plant; upon notification the company and unions would immediately begin negotiating the terms and conditions of the closure settlement. The period of advance notice was further amended during both the 1974 and 1977 contract negotiations. When the shutdown was announced on January 18, 1979, the required period of advance notification was 18 months.

In planning for the shutdown, Brown & Williamson's principle of joint involvement in the process was carried out with union cooperation. Joint union and management committees were created to shape the final agreements, convey the specifics of these agreements to the employees, and to answer questions that employees might raise regarding the agreements.

The third principle, gradual reduction of the work force, accounted for Brown & Williamson's decision to effect the shutdown gradually over three years and to allow senior employees the option of leaving earlier than junior employees. It was hoped these attempts to promote a staggered influx of workers into the job

market would alleviate stress on both the workers and the community.

Announcement of the Closure

All people affected by the shutdown were informed as soon as the final decision had been made. International union representatives and local business agents were contacted, and a meeting was held to read the announcement. Simultaneously, factory management was told, followed by first line supervisors, who then passed the announcement along to all hourly employees. Eventually all employees received a copy of the announcement. Finally, management met with all workers to detail the company's plans and to answer questions.

In accordance with the union contract, the announcement was followed by negotiations between the company and the union on the terms and conditions of the closure settlement. The union did not challenge the closing, and negotiations concentrated on the closure's effect on the workers. Negotiated issues included pensions, retraining and job placement, relocation rights and assistance, seniority provisions, health and welfare benefits, and medical coverage. The company also renegotiated certain work rules that facilitated the phaseout while still allowing efficient operation of the plant. Negotiations lasted for three months; the closure settlement was fully ratified by June 1979.

The Closure Settlement

Severance Pay. The settlement provided a base of 26 weeks' pay for hourly workers with one to six years of seniority. In addition to this base pay, hourly workers with seven to ten years of service received a week's pay for each year in excess of six. Workers with ten or more years of service also received an additional week of pay for each year of service after year one.

Pension and Benefits Plan. The closure settlement negotiations improved on the pension and benefits plan of the existing contract. One change included deferred early retirement benefits, or the "Rule of 70," for both hourly and salaried employees. The Rule of 70 provided that employees with a combination of age and service equaling at least 70, would, upon reaching age 55, be eligible for early retirement benefits. A second change extended life and medical insurance for up to six months from the layoff date of the worker. Another change involved profit sharing. It stipulated that employees severed as a result of plant closure receive proportionate shares of profits accrued during the year of release. However, these improvements in the pension and benefit plans were not available to workers who left before being laid off. This clause in the closure settlement was proposed by Brown & Williamson to provide an incentive for workers to stay with the company until their displacement.

Relocation to Macon, Georgia. Part of the closure settlement included a comprehensive, company-financed process of relocating the displaced workers from the Louisville and Petersburg plants to the new Macon plant. During negotiations the company designated approximately 350 jobs and 45 craftsman positions at the Macon plant for Louisville and Petersburg employees. The company provided comprehensive financial assistance to those transferred to Macon.

Employees were given up to ninety days to visit Macon, select housing, move, and begin work. In addition, if during the transfer period the worker could not sell his house, the company took over the sale. If the sale was for less than the appraised value, the company absorbed the loss. As with other benefits, the number of employees eligible and the timing of relocation were at the option of the company. Finally, selection was based on seniority.

Assisting Employees in Finding Other Employment. A large part of the closure settlement detailed programs

aiding displaced employees in finding alternate employment. The first step in the program was extensive employee counseling by specially trained members of management and the union. Counseling sessions were run with groups of twenty employees and covered all benefits and programs in the closure settlement. Counseling for early retirement, financial planning, and special programs of the Small Business Administration were also provided.

The Job Placement Assistance Program started with extensive mailings to industries throughout the State of Kentucky. These mailings, and advertisements placed in newspapers, announced the availability of Brown & Williamson's skilled and semiskilled workers. The program also assisted workers in preparing resumes and allowed time off for interviews. The company also contracted with the State and local boards of education to conduct high school training on company premises for employees who wanted to take the high school equivalency exam.

Retraining. The settlement stipulated that the company finance programs to retrain highly skilled workers enabling them to transfer their skills to other occupations.

Closing Notes

Finally, to assist displaced workers, Brown & Williamson took steps to secure a revision of the State Unemployment Compensation Commission's rules governing the dovetailing of serverance and unemployment insurance benefits. Through a joint effort with the Bakery, Confectionery & Tobacco Workers Union, Brown & Williamson effected a crucial change enabling displaced employees receiving severance benefits as a result of a plant closure to collect unemployment benefits.

DANA CORPORATION CASE STUDY

This case study details the closing of the Dana Corporation plant in Edgerton, Wisconsin. Dana, a large corporation, designs, manufactures, and markets a wide range of products for the transmission and control of power.

Why the Edgerton Plant Was Shut Down

In 1972, the Edgerton plant opened to produce front axles for four-wheel-drive vehicles such as Blazers and Broncos. During its growth years in the early 1970's, Dana Corporation's expansion into the light truck industry necessitated opening the Edgerton plant. Sales increased rapidly. Between 1972 and 1976 Dana sold one milllion axles, and by 1978 sales had doubled to two million. Dana expanded so extensively into the light truck market that by 1978 these vehicles accounted for a substantial portion of the firm's overall axle sales.

In June 1979 the Edgerton plant had a work force of approximately 1,580. Shortly thereafter, the recession, gas shortage, and effects of the 1974 oil embargo finally caught up with the light truck industry and the Edgerton plant's earnings suddenly dropped. The drop occurred so quickly that the work force was reduced to 300 employees by February 1980. On May 30, 1980, the corporation announced the closing of the plant.

Background Information

Edgerton is located in Southern Rock County which has some of the richest farm land in Wisconsin. The area's work force includes a substantial percentage of high school graduates. Approximately 42 percent of the county's work force had been in manufacturing; Dana was the county's fourth largest employer. As union workers, Dana's employees were well paid relative to the rest of the county. Their base pay was $8.11 an hour plus an additional 80 cents cost-of-living allowance. At the time of the shutdown, the unemployment rate in

Southern Rock County was 15.5 percent; the Dana workers entered an already severely depressed labor market.

The Plant Shutdown Agreement

The hourly employees of the Edgerton plant were represented by Local 1838 of the United Automobile Workers. The UAW had been representing Dana workers for over 30 years and had excellent relations with Dana management. Edgerton was no exception; during the plant's eight years, the UAW had negotiated four contracts with no strikes. Furthermore, a turnover rate of 1 percent and an absenteeism rate of 3.5 percent illustrated healthy employee relations. The Edgerton plant's Scanlon Plan [1] was a major reason for what both sides termed constructive labor-management relations. The Scanlon Plan involved monthly meetings of labor and management and created a valuable format for communication between the two groups. Soon after the Edgerton closing was announced, UAW representatives sat down with Dana and negotiated a shutdown agreement extending beyond the original contract.

Prior to the Edgerton Shutdown, the Dana Corporation had established a basic philosophy for its closure programs. If Dana workers were permanently displaced, Dana management felt that such workers should be primary candidates for openings at other Dana facilities. In accordance with this conviction, Dana set up a program which, though it did not guarantee laid-off workers jobs, gave them priority consideration for filling openings at other plants. This program was known as the Preferential Location Progam or Preferential Assistance Program. It included two months pay for relocation

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[1] The Scanlon Plan is a plantwide gainsharing system for improving productivity. Joint labor-management shop floor committees elicit and screen suggestions, and monthly bonuses are distributed when actual labor costs fall below standard as measured against historical costs.

assistance, and eligibility lasted five years beyond the layoff date.

The second major aspect of the shutdown agreement was the creation of a Job Search Program which was funded by Dana Corporation and operated by Dana employees. The eighteen-hour program was conducted over 4½ days to provide the laid-off workers with the skills necessary for a successful job search. Workers were required to commit themselves to the entire program. The program entailed inventorying the worker's skills, developing communication abilities, financial planning assistance, preretirement planning sessions, teaching resume writing techniques, and typing the workers' final resumes. Essential to the program was a Job Search Center with a microfilm system and telephones to aid in the job search process. To further aid the job search, an attempt was made to match Dana's unemployed with similar Wisconsin companies. This required mailings, advertisements, and phone calls announcing the availability of Dana employees to over 3,000 companies. Throughout the program, Dana worked closely with the Wisconsin Job Service personnel but kept its placement efforts separate to avoid the backlog of the State Job Service Office.

Included in the shutdown agreement were benefits negotiated by the UAW and Dana to help soften the economic blow of the closing. These benefits included medical insurance maintenance for up to one year after layoff, qualification for pension vesting made possible by an 11-month extension to seniority for hourly employees (so that many employees would qualify for vesting), and retention of seniority for employees relocated to another Dana facility.

Because the plant was ruled ineligible for Trade Adjustment Assistance (TAA) benefits, and because of the high percentage of Dana employees who had been on indefinite layoff prior to the Edgerton closing, there were few if any benefits under the Supplemental Unemployment Benefits (SUB) program. As a result,

until re-employed, the Dana workers subsisted on unemployment insurance and benefits negotiated in the shutdown agreement.

Job Placement

The shutdown agreement, and especially the Job Service Program, helped raise the workers' consciousness and preserve their self-image. However, for a number of reasons problems were experienced in placing workers. By mid-1981 a survey of the 250 who participated in job search training showed that 95 percent of the management level employees had been placed, while 86 percent of the hourly lemployees had found alternate employment. Half the workers took over six months to find re-employment. As the recession deepened in February 1982, 63 percent of the hourly and 88 percent of the salaried employees still had work.

Community participation was limited as some employers in the region did not want to hire Dana employees. A feeling existed in the community that it was only a temporary layoff, and some employers felt that because Dana employees were union workers they were too "expensive." The result was that replacement jobs, if available, were usually lower-paying and unattractive to the typical Dana employee. The solution was to move to a new region (or State) to find a replacement job. However, 70 percent of the displaced Dana workers were homeowners and, in such an economically depressed region, they were unable to sell their homes. These factors contributed to the lower placement rate of the Dana-Edgerton workers. In addition, an unemployment rate in Southern Rock County of 15.5 percent coupled with the entire automobile industry's heavy layoffs, what might be termed macro-economic factors which were beyond the control of the company or individual workers, were contributing causes.

EMPIRE-DETROIT STEEL DIVISION CASE STUDY

Background

On June 12, 1980, Empire-Detroit Steel shut down its Portsmouth, Ohio, plant, laying off approximately 1,000 employees and permanently closing the doors to a plant that had been a working part of the city since the early 1900's. This shutdown was not a sudden occurrence; it had been impending since 1970 and formalized in February of 1980.

Empire-Detroit Steel, a division of Cyclops Corporation, also has plants in Dover and Mansfield, Ohio. The Portsmouth plant was a basic steel making hot-metal operation producing iron, pig iron, steel, and coke.

The Portsmouth work force was composed of both salaried nonunion and hourly union employees. The hourly employees were represented by Local 2116 of the United Steelworkers of America. According to both labor and management, their relations had been positive and were not a factor in the shutdown decision.

The Reason for the Shutdown

The Portsmouth operation had been unprofitable for a number of years and, in order to achieve profitably, it was necessary to sell a significant portion of the blast furnace production as merchant pig iron. However, imports had consumed the entire domestic market and Empire-Detroit could not compete with imported pig iron that was a fraction of the domestic price. Unable to compete in the pig iron market and, consequently, to adequately load the melting facilities, Empire-Detroit determined that the Portsmouth facility had to be discontinued.

The Shutdown Chronology

On January 29, 1980, Empire-Detroit announced

that it was considering shutting down the Portsmouth facility. Two weeks later, the final decision to close the facility was announced and the date set for approximately May 31, 1980.

Though a large number of employees were laid off by the shutdown, the ultimate impact of the closure had been diminished by a decade of work force reductions. Layoffs had been occuring throughout the 1970's, slowly whittling the work force from approximately 2,630 to 1,000. In early 1970, 450 hourly and 30 salaried employees were laid off because of the discontinuation of the rod and wire mill operation. Between 1970 and 1975 a work force reduction and containment program was implemented, resulting in the elimination of approximately 165 salaried positions. In mid-1975 rolling mill operations ceased, requiring a further reduction of 900 hourly and 100 salaried employees. From 1975 until the shutdown, the work force remained fairly stable, leaving approximately 850 hourly and 135 salaried employees who were displaced by the final closing.

The Community's Response to the Shutdown

During its many years of operation, the Portsmouth plant had become an integral part of the community. It was a family-oriented business, having employees whose families' relationship with the company extended as far back as five generations. As a result of the company's close relationship with the community, the Community Action Organization of Scioto County (C.A.O.) played a major role in the aftermath of the shutdown.

During the 1970 and 1975 layoffs some efforts had been made on behalf of the displaced employees. The hourly employee layoffs were administered under the terms of the bargaining unit agreement, and these workers were covered by supplemental unemployment benefits. The nonunion salaried employees received assistance upon request from the Cyclops Corporation. However, after the January 1980 announcement of

the shutdown, all parties resolved that a more extensive, long-term employment program was needed. It was obvious that the increasingly severe unemployment problem in the region, 12 percent in Portsmouth and 20 percent in the county, required assistance for the laid-off workers extending beyond the standard programs of 1970 and 1975.

The result was the formation and management by the C.A.O. of a Job Search Assistance Progam. This program was sponsored by Empire-Detroit Steel, Local 2116 of the United Steelworkers of America, the Office of the Governor of Ohio, the Ohio Bureau of Employment Services, and the Scioto County Commissioners.

The Job Search Assistance Program

The Job Search Assistance Program's main objective was to ease the impact of the Portsmouth plant closure on the community and workers, and to assist all interested laid-off workers in securing meaningful employment. Different programs and benefits were provided for the salaried and hourly employees.

Hourly Employees' Program. The first major aspect of the program was a Job Search Center set up at the Local 2116 Steelworkers Hall. The center contained a variety of "job search tools" which facilitated the workers' search for jobs. An extensive microfiche file provided listings of available jobs from the entire State. Videotape equipment was available to help improve the workers' interviewing skills through the observation of practice interviews. Special telephone lines were installed for use by workers when setting interviews with prospective employers.

The Ohio State of Employment Service assigned counselors to the center free of charge. The counselors and other support staff provided workers with individual assistance in job application and resume preparation. They also served as a good resource for general guidance

and morale boosting.

Additional job search resources available at the center included industrial directories, maps, telephone books, newspaper employment advertisements, and social security office directories. Finally, an updated list of available jobs was posted on the front door and was the first thing workers saw when arriving at the center.

The second part of the program was designed to induce workers to relocate for new employment. Relocation was stressed because the local economy was so depressed and new employers were not in a position to duplicate a typical steelworker's annual salary of $20,000.

The program hired buses and drove willing workers back and forth from job searches in other towns and States. Workers finding jobs requiring relocation received up to $400 in payments of $100 a week until receipt of their first paycheck. Relocating workers also received an additional $100 to help cover travel expenses. By mid-1982, 200 workers and their families had relocated, mostly to Eastern Texas.

Salaried Workers' Program. Empire-Detroit provided its salaried workers with a separate outplacement program that commenced with the shutdown announcement.

The first part of the program consisted of an interview with each salaried employee to describe the benefits available under the layoff program and to determine each employee's need for employment assistance. The benefits were either immediate pension or severance pay consisting of one week's pay for each year of service up to a maximum of 15 years. The cost to Empire-Detroit for severance pay was approximately $200,000; based on age and seniority, 50 percent of the salaried employees were eligible for immediate pensions.

The second part of the program entailed

employment assistance for displaced salaried employees. In general, salaried employees received more individualized assistance than the hourly employees, but there were group aspects to the program.

Empire-Detroit offered to prepare resumes for all displaced salaried employees. The resumes were assembled into a book, indexed by discipline, and distributed upon request to prospective employers and employment agencies. According to company officials, these books are still in use, and inquiries are still being received from prospective employers.

Quite soon after the shutdown announcement, Empire-Detroit contacted over 200 companies, both inside and outside the steel industry, advising them of the availability of the Portsmouth personnel. The various divisions of the Cyclops Corporation were also canvassed to locate possible job opportunities. If an employee found a new position within the Cyclops Corporation which required relocation, all moving expenses were covered. The resulting cost to Cyclops for transfers was $25,000 per employee. However, employees who relocated with a new company were not reimbursed for moving expenses.

Other forms of group assistance provided by Empire-Detroit included the hiring of a professional personnel consultant who conducted several programs on job search techniques and the sponsoring of programs on retirement accounts and funds. Throughout the trauma of the shutdown management was constantly available to provide counseling and any other type of assistance possible to the salaried employees.

Core Programs. Though the Job Search Assistance Program was different for salaried and hourly employees, some basic similarities are important to note.

The company decided that it would not control the workers' lives after the closing was announced. Workers

could leave prior to the shutdown, assuming they had found new employment.

Cyclops provided hospitalization, surgical, major medical, vision, and dental care for each laid-off employee. This provision covered the month of layoff and up to six months thereafter as long as the employee remained unemployed or uncovered by another health program.

The 20/65 policy was another general area of similarity between the two employee groups. According to this policy, if a worker had 20 years of service and the combination of years of service and age added up to 65 or more, the worker would receive supplemental unemployment benefit (SUB) payments for two years. If after two years other employment had not been found, the individual would receive early retirement. An important exception to this was that salaried employees were not eligible for SUB payments. However, the provision of the early retirement option was an integral part of the program for salaried employees.

Whether explicit policy or not, Empire-Detroit gave about three months notice of the shutdown to all affected parties. The shutdown was announced in February, and the date for closing was set as May 31, although the plant did not actually close until June 12.

Federal and local government income maintenance funds did not provide the workers with much support. The plant was rejected for Trade Adjustment Assistance benefits. In addition, SUB benefits were depleted within seven weeks for all workers except those with more than 20 years seniority whose benefits were protected by a special fund. However, Ohio unemployment insurance benefits ran for 39 weeks and gave enough support, when combined with SUB benefits (to the extent available), to cover 80-85 percent of a workers' salary. These benefits were sufficient to make most workers quite selective about new employment.

FORD ASSEMBLY PLANT CASE STUDY

Background

Oakville, Ontario is a town of approximately 70,000 people located midway between Toronto and Hamilton. The "Golden Horseshoe," an area bordering the western end of Lake Ontario, is densely populated and heavily industrialized. The Oakville Assembly Plant, Ontario Truck Plant, and Canadian corporate central office of Ford Motor Company are located in Oakville. The Oakville Assembly Plant assembles Ford LTD's and vans; the Ontario Truck Plant assembles light and medium size trucks. Ford has approximately 6,000 hourly rated employees in Oakville represented by Local 707 of the United Automobile Workers (UAW) and 800 nonunion employees. In this case, though no specific plant was shut down, an extensive percentage of the Ford workers in Oakville were laid off, requiring action by Ford, the UAW, and the Canada Manpower Consultative Service.

The Layoffs

In November 1979, the Oakville Assembly Plant reduced its average production to 40 from 50 units an hour resulting in the layoff of 579 hourly employees. A short term layoff was anticipated, and most of the employees were covered by UI and SUB benefits. However, on May 19, 1980, an additional 1,248 hourly employees were laid off because of the continued decline in demand for large cars. This also necessitated displacement of 25 salaried employees from the Oakville Assembly Plant, the Ontario Truck Plant, and the corporate central office. Layoffs at Ford operations in Oakville totaled 1,827 hourly employees and 215 salaried employees. Eighty-five percent of those affected by the layoffs lived within a 15 mile radius of the plant, causing a severe impact on the community. Realizing the need to respond to this impact, the president of Ford of Canada established, prior to the May layoff, a task force to examine the outplacement of the displaced employees. The task

force's research resulted in the decision, by all parties involved, to utilize the services of the Federal Canada Manpower Consultative Service and to set up a Manpower Adjustment Committee.

The Canada Manpower Consultative Service

The Canada Manpower Consultative Service (CMCS) was established in 1963 under the Federal Department of Labour in response to the growing challenge of technological change. The CMCS has a budget of $3 million and a staff of 67 officers. The Service was initially intended to encourage collaboration between workers and management on market place changes resulting from technological advances. However, in 1974 the philosophy of the Service expanded to encompass "upside situations" and began dealing with manpower training for economic growth.

At present, the philosophy of the CMCS program operates on four premises. First, worker adjustment is best done by those immediately involved in the situation. The private sector, specifically employer-worker committees, must therefore create and implement the private manpower programs. The second premise is that effective manpower adjustment requires research and advance planning. Qualifying this need for lead time, the third premise dictates that adjustment be completed as quickly as possible, insuring a minimum level of economic and social disruption. Finally, the CMCS program is voluntary and not legislated. This enables tailoring the private manpower programs to the individual needs of each situation.

Employer-Worker Committee. An employer-worker committee is formed by a formal agreement between an employer, a union or worker representative, and the Canadian Minister of Employment and Immigration. Representatives of management and labor select a neutral chair; however, the CMCS reserves the right of final approval. The Committee's recommendations are not binding, and it refrains from any activity that could

be seen as interferring with issues germane to labor-management negotiations.

Although the government's role is limited to that of Committee overseer, financially the government is far more involved. The govenment finances a large portion of the Committee's expenses, paying 50 percent for financially solvent businesses and 100 percent for bankrupt businesses.

In addition, the CMCS has a workers' mobility program designed to encourage employers to follow Committee recommendations regarding transfers. This program reimburses employers for up to 50 percent of the costs incurred while transferring their workers to new locations. The overall cost of the mobility program to employers has been quite low and rarely exceeds $10,000.

In general, CMCS and its committees do not deal with the issue of advance notice because this aspect of adjustment is mandated by legislation. Canada's advance notice legislation requires employers to give two months notice of a major layoff or shutdown or the equivalent in severance pay.

In 1980, committees signed 365 agreements covering approximately 200,000 workers. Although two-thirds of the committees were in small population centers of 50,000 or less, they were responsible for the immediate re-employment of two-thirds of the workers involved. On average, the committees have lasted one year. Fifty percent have dealt with shutdowns or large layoffs, 20 percent with firms struggling to survive, and 30 percent with expanding, and/or modernizing firms.

The Ford Manpower Adjustment Committees

On May 9, 1980, two Manpower Adjustment Committees were formed to assist laid-off Ford employees in locating alternative employment. The committees, which operated under the auspices of the

Manpower Consultative Service of Employment and Immigration of Canada, were sanctioned by the Ontario Ministry of Labour. The hourly employee committee consisted of two representatives from the UAW local, two company representatives, and a committee chairman. The chairman, an outsider, was recommended by the Manpower Consultative Service and accepted by the Ford Committee.

Similarly, the salaried employee committee consisted of two salaried employee representatives, two company representatives, and the outside chairman. During the first four months of the program, committee members worked on a full-time basis. To facilitate the implementation and operation of the program, Ford provided a full-time committee and program coordinator. In addition, the manpower adjustment team established a work area with desks and phone service in the Oakville Assembly Plant.

The Canadian Government, Ford Motor Company, and the UAW had various reasons for initiating the program. The government objective was to relieve serious unemployment and minimize unemployment insurance costs by expeditiously providing alternative jobs. The company was committed to helping its workers find jobs. Its motives were fourfold: to relieve the impact of mass unemployment, to allievate the drain on SUB payments, to improve company morale by showing that assistance was available, and to project a favorable public image by accepting responsibility for displaced workers. The union shared the concerns of the company and was involved in the program for similar reasons.

Implementing the Program

The Ford Manpower Adjustment Committee's program was officially launced at the first committee meeting by the president of Ford of Canada and the respective Oakville plant managers. At that meeting, the committee chairman outlined proven methods of placement and the committee as a whole established the

format for the Ford program.

The committee's first priority was to compile an inventory of employee skills. Computerized lists were prepared of those laid off listing their names, addresses, telephone numbers, ages, seniority, and job classifications. According to the committee's pre-established order of employment referral, these lists were processed alphabetically by surname and cross referenced by seniority.

The second step of the program was to contact all laid off employees. On May 12, 1980, a letter from the appropriate plant manager was sent to all laid off hourly employees. Each employee was requested to complete a questionnaire and personal data sheet designed to inform the committee of each laid off employee's job preference. Furthermore, the letter advised all laid off employees to initiate their own job search promptly and to register with the local Canada Employment Center.

On May 16, 1980, a similar letter was sent to all laid-off salaried employees. It included the same questionnaire, but it also contained a job hunting kit consisting of general job search advice, resume preparation guides, and sample resumes.

The committee's third priority involved contacting prospective employers. Large employers in the region were identified by consulting industrial directories. The committee then sent letters to 130 selected companies. The letter outlined the committee's objectives and solicited support in providing alternate employment. In addition, 2,000 smaller employers were contacted by telephone. To aid in follow up, a daily log was kept of all contacts with prospective employers.

Other initiatives were taken by the committee to develop employment leads. The help-wanted sections of selected daily papers were scanned regularly. Advertisements were placed in the business sections of three Toronto and Hamilton newspapers. Local media

were contacted. The committee used employee information bulletins to inform working salaried employees of their formation and to request cooperation in locating employment leads.

Finally, after a contact resulted in a suitable employment opportunity, job referral began. The committee maintained detailed records of available jobs. These records included the company's name, its address and telephone number, the person to contact, the nature of the opening, and the starting pay.

The procedure for job referral differed slightly between hourly and salaried employees. Hourly employees employment opportunity records were given to the committee's two union representatives; for salaried employees, the records were handled by the committee's employee representatives. First priority for job referral belonged to those already laid off; second priority to those yet to be laid off. Unless otherwise specified by the prospective employer, seniority was the governing factor within each category.

Committee meetings were held every two to three weeks to review progress and discuss any problems. In the interim, committee members and management were kept informed by daily reports. These reports showed on a cumulative basis the number laid off, the number of questionnaires returned, the number of prospective employers contacted, and the number of employees placed.

Throughout this program, an attempt was made to sustain the morale of hourly employees still employed. To this end, bulletin board notices were posted keeping interested persons informed of the committee's job relocation efforts on behalf of the laid off employees.

It should be noted that the Ford program involved no retraining or individual counseling. For assistance of this nature, employees were referred to the Canada Manpower Service.

Results

The program lasted for eight months and cost approximately $60,000 with the Federal Government funding 50 percent, the provincial government 10 percent and Ford 40 percent. Of all laid off employees, 80 to 85 percent found replacement employment. Of those who specifically sought assistance from the committee, 94 percent were placed successfully.

In evaluating the program at its conclusion, the committee noted a number of problems. There were definite communication problems between the committee and the laid off employees. Ignorance of the program and negligence concerning messages were at the root of this problem. Another communication problem was that employees rarely informed the committee when they had been adequately placed. Follow-up problems occurred because the employee questionnaire did not have a section to record referrals given to employees. Finally, the laid off workers' reluctance to accept lower paying employment became a problem. The 36-month recall rights period at first encouraged the workers to balk at lower paying employment. However, as the layoff dragged on, these offers became more attractive.

Despite these difficulties, the 80 to 85 percent placement rate indicates a high degree of success for the program. There were various reasons for success. Vital interest and support were given by the management of Ford Motor Company of Canada. Placement of the laid-off workers was facilitated by the location of the Ford plants in a highly industrial region. The fact that many workers were accustomed to lengthy commutes increased the geographic area acceptable for new job opportunities. The favorable publicity given the program spurred other companies to react sympathetically and cooperatively, easing potential placement difficulties. Finally, the committee members, with their determination and ability to communicate with both employers and employees, were well suited for the task.

GOODYEAR'S LEE TIRE DIVISION CASE STUDY

Background

In August 1979, Lee Tire of Conshohocken, Pennsylvania, a division of Goodyear Tire & Rubber Company, announced its decision to permanently close its facility in February of 1980. At the time of the closing, Lee Tire employed 650 hourly and 250 salaried employees. The hourly employees were represented by the United Rubber Workers (URW). An old company founded in 1909, Lee Tire was family owned for over 50 years and had a work force consisting primarily of Conshohocken residents. Given its longevity in Conshohocken and its proximity to the Italian and Polish sections of Philadelphia, it was not uncommon to have several family members working at the plant.

Interestingly, Lee Tire's February 1980 shutdown was not the first for this facility, and the earlier closing provides a good backdrop to this most recent shutdown. In the late 1950's and early 1960's, the Lee family lost controlling interest to an outside investor. Eventually, in 1963 the plant was closed after failure to agree upon a new contract, and employees were consequently terminated with no benefits. The plant remained closed until June 1965 when, after being approached with a proposal by a group of employees and Conshohocken officials, Goodyear purchased and reopened the plant. Though two years had passed between the closing and reopening, approximately 200 of the former employees were rehired. Upon reopening, the plant began producing conventional passenger and truck tires.

The Decision to Shut Down

The plant had operated efficiently. Proof of the success of the operation was that in the 15 years prior to the February 1980 decision there had been no layoffs. However, the increasing popularity of radial and imported tires greatly diminished the demand for bias and bias/belted tires. Conversion to radial tire

production was not an option. In addition to being old, the plant's structure and design were not amenable to such a conversion.

During the August 1979 contract negotiations with the United Rubber Workers, Goodyear decided to close the Lee facility. Within three hours of the decision the union was informed, and notice of the plant shutdown was passed to all employees. Though there was no contractual requirement for prior notice, the company chose to continue operations for six months so that workers and the community could better adjust to the shutdown. Negotiations between the company and the URW continued, and a contract was reached covering the last six months of operation.

Closing Decisions and Policies

In an effort to alleviate displacement trauma, the company made a number of decisions and implemented a variety of policies and programs with regard to the closing's effect on employees.

The first of these decisions was to provide workers with umbrella coverage for hospitalization. This arrangement meant that after termination an employee's hospitalization would continue for two years unless the employee was covered by a new employer. Second, after termination an employee's life insurance and disability benefits were continued for two years with conversion privileges available at the end of the extension period. Third, employees who were 55 with at least 5 years seniority would be eligible for full, unreduced retirement benefits, including hospitalization for life and life insurance. This was an improvement on the previous contractual agreement, which had required employees to be 62 years of age and have 10 years seniority for unreduced pensions. Fourth, hourly employees not eligible for retirement who had vested pensions could receive lump sum payments based on actuarial values of their vested pensions. For salaried employees, a lump sum special allowance was also provided according to the

employee's service and salary. Fifth, no one was terminated prior to January 1980, thus enabling all employees to receive full 1980 vacation payments. This also enabled the company Christmas party to go on as usual, an event that was important for preserving worker morale in the face of the shutdown. Sixth, all of the money in the hourly employees' SUB fund was distributed based upon employee's accrued credit units. This was done in order to insure that junior employees, who were being released first, did not drain the fund before senior employees were able to utilize it. Finally, under a separate plan, salaried employees were eligible for Supplemental Unemployment Compensation Benefits (SUCB).

The Outplacement Program

The company's major effort to alleviate the closing's effect on employees was its unilateral decision to conduct an outplacement program for both hourly and salaried employees.

This program presented by an outside consulting firm, was designed to reduce the trauma of displacement and prepare workers for continued employment in the area. To facilitate the program, the company rebuilt and redecorated several areas of the plant for use as counseling rooms, classrooms, and a research library. The program was announced to the employees with total union and management support. The first meeting, to which all employees and their spouses were invited, presented the program objectives. The program itself was voluntary and was conducted in groups of 25 to 40 people. Because of the differences in their needs and interests, the salaried and hourly employees were handled in separate groups. The program began in October 1979, two months after the announcement of the shutdown, and lasted until six weeks after the plant closed in February 1980.

The first phase of the program was based on three main components, a Job Strategy Seminar, a Job Interviewing Seminar, and a Resume Writing Clinic. The

entire program lasted a total of 12 hours. The company subsidized the costs of the program except that half of the hours were on employees' own time.

The Job Strategy Seminar consisted of three one-hour sessions and was designed to assist employees in determining what skills they possessed. It was also intended to serve as a consciousness-raising process to help motivate the workers to approach the closure not as a setback but as an opportunity to advance in the labor market. The Job Interview Seminar dealt with the intricacies of being interviewed. It lasted for three hours and basically involved teaching employees the proper means of conduct during an interview. Practice interviews were videotaped and then critiqued by the entire group. The final three hours were spent in the Resume Writing Clinic where the basic resume writing format was taught and each employee's resume individually reviewed by a counselor. The final resumes were typed and printed at company expense.

The second phase of the outplacement program involved individual counseling sessions with employees on job search and personal problems. These sessions were conducted at the plant at the beginning of all three shifts.

The final phase of the program was a Job Fair held at a local hotel. Lee Tire invited major companies from the Philadelphia area; thirty-five accepted and attended. The day-and-a-half Job Fair was divided between company presentations, descriptions of specific job openings, and interviews at company booths.

Overall participation in the outplacement program was 85 percent, but no follow-up was done to determine the percentage of success. The only indicator of the program's success or failure was that over half of the salaried employees stopped filing for SUCB payments. This would imply that they must have found work.

A final note: According to Goodyear Corporation

Officials, the unemployment compensation benefits and TAA payments seemed to have had an adverse effect on employees' searching for jobs. Payments lasted for one year, and it was only at that point that many hourly employees actively started to look for work.

INTERNATIONAL SILVER CASE STUDY

The International Silver case is unique. It details a corporation's attempt to avoid a complete shutdown by dramatically redirecting and restructuring its product line and production methods. Instead of closing its Meriden, Connecticut plant as the demand for flatware fell off, International Silver researched and developed three new businesses designed to utilize the Meriden workers and facility.

Background

The International Silver Corporation is a subsidary of Insilco, a Fortune 500 Company. In addition to the Meriden facility, International Silver has several other factories in the U.S., Puerto Rico, and Taiwan.

International Silver is the area's largest employer and has roots in the Meriden community that reach back to the 1700's. The present Meriden plant, "Factory C" as it is called by International Silver, was built in 1968 at a cost of 18 million dollars. At the time, it was the largest and most modern factory of its type in the world. It covers 315,000 square feet and was designed exclusively for flatware production. Almost as soon as the plant opened, however, flatware sales began to decline. The domestic stainless steel flatware business came under a devastating attack from low-priced foreign imports which, between 1970 and 1980, captured a major portion of the U.S. market. Caught in the middle of this surge of imports, International Silver's employment fell to 250 in 1980 from 1,750 in 1970; production fell to 2.5 million from 11 million pieces. Most significantly, its market share dropped to a low single number from a high of 40 percent by the late 1970's.

It became obvious to International Silver that there was no possibility of expanding its traditional business. So in 1979 management decided to discontinue its domestic production of stainless steel flatware. It outlined a three phase program providing for the foreign

production of flatware, consolidation of the remaining business into approximately one-third of the facility, and redirection of the remaining capacity into new businesses.

The decision not to shut down the Meriden plant was central to this policy outline. There were several important reasons for this decision. First, if the company shut down the plant, it would have been difficult to recover the investment in equipment and machinery made when the plant was built. The company reasoned that it would lose more by closing down than by staying open.

Second, the work force, with an average age of 56 and service of 26 years and with highly specialized flatware production skills, was locked into the industry. Many of the workers, having lived in the Meriden area all of their lives, were unwilling, if not unable, to move elsewhere to find new employment. Because of its long relationship with the community, International Silver felt that it could not totally abandon the people of the Meriden region by shutting down.

A further consideration related to an unfunded pension obligation of $12.3 million. For each worker International Silver employed, there were two retired employees and their families residing in the town for whom the company felt a responsibility. The number of employees retiring had accelerated as a result of early retirement incentives negotiated in the 1978 contract. These incentives were designed to increase the rate of retirement so International Silver could phase down its remaining stainless steel flatware production without a major layoff. These incentives proved successful but left the company financially responsible for many retired employees.

International Silver's New Business Development

In researching and developing potential new businesses and product lines, the management team of

International Silver followed five general policy objectives. First, the high fixed facility cost of the Meriden plant induced the company to look for businesses with low sales, distribution, and administrative costs competitive with the market on a total cost basis. Second, the company wanted product lines which would be anticyclical and recession insulated. Third, it sought high-tech product lines. Fourth, it was concerned with developing product lines which would utilize its workers' skills. Finally, it wanted products with an expanding market.

Based on these objectives, and after extensive research, International Silver decided on three new businesses. It developed a Tube and Machining Division with the capability of forming, welding, and brazing tube assemblies. Product possibilities ranged from fuel lines for 747's to oxygen tank carts for hospitals.

International Silver also developed a Precision Machining Division, aided by the acquisition of a small machining company in Connecticut which was relocated to the Meriden facility. This business required such diverse skills as electrical discharge machining; large turning, boring, drilling, and reaming; and heat treating. Current products range from end fittings for tubing assemblies, to 747 thermo-couple components for engines, to IBM typewriter parts.

The third business developed was a Machine Tool Division which includes both the design and construction of new equipment and the retrofitting, or rebuilding, of existing machine tools. This division has met the quality standards of the most exacting aerospace customers. To date, products successfully completed range from the rebuilding of milling machines to multiple-column rotary index machines used in the manufacture of diesel engine blocks and cylinder heads.

As of early 1981, these operations utilized 28 percent of the Meriden facility and employed 140 workers. Of these 140 workers, approximately 55 (30

from the Tube and Machining Division and 25 from the Precision Machining Business) were skilled toolmakers and mechanical maintenance personnel who had been trained by a company program to staff the machine design and rebuilding business. International Silver invested $1 million in the training program. In addition, it received a $164,000 grant from the U.S. Department of Labor under the Trade Adjustment Assistance Program (TAA). This grant was administered through the Connecticut State Department of Labor and covered instructor costs, supplies, and 75 percent of the machinery needed to set up vestibule training. Trainees earned $5.87 per hour during the program, $2.50 of which was covered by the TAA grant. The entire training project involved a four-year, 8,000-hour, toolmaker apprenticeship program.

Closing Notes

This case represents an extensive attempt by the International Silver Company to rescue a dying operation through a major reindustrialization project. Though a wide variety of skills has been developed and a substantial portion of its work force retrained, International Silver is not yet "out of the woods." It will take additional time to develop other new businesses and to complete the retraining of the work force.

As a postscript to the case, management has bid successfully for several other lines of work, specifically, high pressure pumps for the oil industry and safes for the computer industry. As a result, the work force has expanded from 350 to 400 employees.

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